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Stocks fall 1.5% as new PM takes over

Bloomberg Business News by Laura Zelenko

Polish stocks fell 1.5 per cent amid uncertainty about the nation's political future after socialist party leader Jozef Oleksy took over the prime minister's post.

The Warsaw Stock Exchange's WIG index closed at 6,661, after soaring the two previous days to a total 14.2 per cent. Trading was relatively heavy at 65 million zloty, or $26 million, down from 70.3 million zloty on Tuesday.

The most traded stock was Bank Przemyslowo-Handlowy, a Krakow-based bank that the government recently sold to the public. The bank's shares, which were first listed on the exchange Tuesday, fell 0.7% per cent to 70 zloty.

Analysts said the rise in prices earlier in the week reflected investors' confidence that a quick resolution to the nation's political crisis would force the ouster of Prime Minister Waldemar Pawlak. Today's trading is best viewed as a neutral reaction to the official announcement, they said.

President Lech Walesa had threatened to dissolve parliament if a government reshuffle did not take place. However it remains unclear if Mr Oleksy's appointment will satisfy the president, analysts said.

"It is still very much uncertain," said Maciej Kwiatkowski, investment advisor at Creditanstalt Securities SA in Warsaw. "There are such rumours that this new prime minister will be in power only two weeks. After that our parliament will be dissolved because Mr Walesa wants to say, 'I gave you a chance and you weren't able to use it.'"

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Walesa gets his way as Poland's PM is ousted

by David Osterhout in Warsaw

There were early signs of hope in Warsaw late this week following the announcement by Poland's ruling coalition that it intends to form a new government.

According to reports on Wednesday, Prime Minister Waldemar Pawlak would step down and be replaced by Jozef Oleksy, a former Communist Party functionary who is now speaker of parliament's lower house.

"Some people may think it is sad that history has made a round trip and we're returning to the communists. But it would be better to have this open-minded liberal as our leader than a conservative peasant," said Krzysztof Ners, director of the Warsaw office of the Institute for East West Studies.

Mr Oleksy is a member of the Democratic Left Alliance (SLD), a descendent of the former Communist Party and senior partner in the present ruling coalition. Mr Pawlak is a member of the Polish Peasant Party (PSL), a successor to the communist-era Peasant Party.

"After Mr Pawlak it is not difficult to find a name that is better. And there is no doubt that Mr Oleksy is better," said Piotr Nowina-Konopka, foreign affairs secretary for the Union of Freedom, the main opposition party.

Interviewed on Wednesday, Mr Nowina-Konopka cautioned that "it's still a long way to Tipperary."

He warned that the announced plans to replace Mr Pawlak with Mr Oleksy could fall apart if disputes arise "during the dance to decide who is appointed to head the ministries."

To complete the process, Poland's Sejm must pass a constructive vote of no confidence in Mr Pawlak and subsequent vote of confidence in Mr Oleksy. Parliament must then approve ministers who would compose a new government. Finally, the list of ministers must be signed by the president.

On his way out: Waldemar Pawlak pictured in happier times during the 1993 election campaign with SLD leader, Alexander Kwasniewski

Mr Pawlak has come under increasing criticism for failing to move ahead with economic and social reforms, among other issues.

Earlier this week, President Lech Walesa urged Mr Pawlak's resignation and the restructuring of government.

The president called Mr Pawlak incompetent and issued a veiled threat that he might dissolve parliament if a change in government did not occur soon.

"I think the president was right in saying that the present government is standing at a yellow light," said Mr Ners. "The peasant party traditionally is conservative. It is not enthusiastic about reforms."

He blamed Mr Pawlak's government for slowing down the privatisation process and for failing to act on reforms in the social, industrial and agricultural sectors.

An Oleksy-led government, Mr Ners believes, "would be much more-opened minded, much more Europe-oriented."

On a personal level, Mr Ners said Mr Oleksy is well-suited for the task of coalition building.

"He has manifested a serenity, a quiet conciliatory approach. In a country where people can be very emotional, he tries to focus on issues. I think he can build an alliance to address problems facing Poland, which was not the case with present government."

Though a former Communist, Mr Oleksy was not a hardliner. In Mr Ners view, "he is from the liberal civilised wing of the party."

Contract documents 'offered for sale'

by Genevieve Zalatorius in Prague

VSAT COMPANIES, which were upset that foreigners won a Czech finance ministry contract at a very low price, say they would go to court to fight the unfair selection process.

The Czech firms are upset that the data information company NIT-Praha was awarded the contract last year in controversial circumstances: without a public tender, without having a hub station and without a VSAT license.

The Ministry of Finance last year signed a $2.7 million, five-year contract with NIT-Praha. The firm is set to provide VSAT data services to 152 VSAT stations located throughout the Czech Republic, according to finance ministry telecommunications official Jiri Roudny.

Ministry of Finance Deputy Minister Miroslav Tera contacted last week, said Ministry official Petr Cihelka, who signed the contract, had flown to Norway to discuss it. Mr Tera referred all questions to him. Mr Cihelka returned on February 1st from Norway.

The contract, which competitive VSAT firms say is worth between $10 to $12 million is being criticised by at least seven of the 18 firms registered to provide VSAT services in the Czech Republic.

All seven VSAT companies which *Central European Business Weekly* was able to contact within the last week expressed concern about the way the winner of the contract was selected.

At the Czech office which registers business licenses, in Prague 1, NIT-Praha lists its business activity as providing "software:" sales of programs based on agreement with the author or ordered in advance. It also lists that NIT-Praha was issued the business license on September 15th, 1994.

VSAT competitors such as Eurotel's Vaclav Turko are left scratching their heads because of a company, as he stated, "operating out of the airport-in a suitcase" with no office and without a VSAT license can be awarded such a lucrative contract.

Only last Friday, February 2nd, NIT-Praha, was issued a VSAT license, according to Zdenek Chalupsky of the Czech Telecommunication Office in Prague.

NIT-Praha commercial director Jan Prokop said when they started negotiating with ministry of finance officials in March of 1994, NIT-Praha was told to first get a contract and then apply for the license.

Mr Prokop said there are so many VSAT companies now with licenses in the Czech Republic and not all of them have business. He said his firm wanted to make sure they had

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Polish stock market weathers the storm

Bloomberg Business News by Laura Zelenko and Rob Urban

POLISH STOCK PRICES are soaring on hopes that a quick resolution of the nation's political showdown will result in the ouster of Poland's populist prime minister.

Investors' optimism may be premature, however. The crisis, which pits President Lech Walesa against the socialist-led government of Prime Minister Waldemar Pawlak may just be beginning.

Mr Pawlak, seen by investors and analysts as a reluctant advocate of rapid economic reform, is the most likely casualty of turmoil, though he's not expected to leave without a fight.

Investors anticipating Mr Pawlak's ouster have pushed up the Warsaw Stock Exchange's WIG Index 14.2 per cent this week, a swift turnaround after the index hit 17-month lows last week.

Polish politics consistently confound, however, and no-one is willing to bet on a definite outcome to the quickly unfolding crisis.

"People believe the crisis is already over, which I think is not true," said Piotr Nowina-Konopka, a parliamentary deputy with the leading opposition party, Union for Freedom. "This is a very critical time here in Poland."

Mr Walesa forced the crisis last week after refusing to sign into law the belated 1995 state budget, because of his opposition to an income-tax increase. Mr Walesa faces re-election at the end of the year.

His popularity sagging drastically in polls, the Nobel Peace Prize-winning former leader of Poland's Solidarity trade union threatened to dissolve parliament and call new elections immediately.

That sparked intense negotiations between the ruling coalition parties, Mr Pawlak's Peasant Party and the party of the former communist, or Democratic Left Alliance, which joined forces to take power after elections in October 1993. Those elections followed Mr Walesa's dissolution of parliament in a similar showdown in the spring of 1993.

Even though Poland's economy is estimated to have grown by more than five per cent last year, amid a boom in industrial production and exports, Mr Pawlak is seen as "hindering quick reforms" according to Tamas Csonka, an analyst at Baring Securities in London. "It seems that everybody agrees that losing Mr Pawlak is not really a bad thing."

Everyone, including Mr Walesa, seems willing to accept the charismatic socialist party leader, Aleksander Kwasniewski, as the next prime minister, which could signal a more stable, consistent policy

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Seminar addresses training challenge

by Genevieve Zalatorius in Prague

DEALING WITH CHANGE, forecasting the volatile business environment and making proper use of time will be some of the topics addressed by a KPMG official at a management seminar that gets underway next week.

Jo Spyckerelle, a partner in the KPMG Czech branch in Prague said many Czech companies still behave "as if they have eternity before them" and waste time.

"Time is money," adds Mr Spyckerelle who will be one of three panelists at a workshop dealing with management experiences at the "Training Challenge" seminar held February 15th to 17th at the Diplomat Hotel in Prague.

The international conference is sponsored by the Czech company Inventa and Management Centre Europe.

Mr Spyckerelle said those attending a workshop on February 16th, where he will be a panel member, will have the opportunity to hear about how a company can deal with change successfully.

"In the environment of central Europe one of the difficulties we have experienced in companies is resistance to change.

"People are unsure of how they will fit into new organisations and how they have to change," he said which often results in people fighting changes within a company.

In addition he said the planning process will be heightened.

"Before the revolution, the planning process was understood as executing the plan, instead of developing the plan. Many Czech managers are unsure of what a plan should look like or how to commit themselves to estimations that are not 100 per cent sure," Mr Spyckerelle said.

"They (managers) are afraid that if plans don't come true as forecast, they will be considered bad managers," he said.

Conference participants will also have a chance to hear about how to forecast and look at the business environment in the Czech Republic and eastern Europe.

Mr Spyckerelle said throughout the last few years Czechs have become more conscious about profits and shown an increasing awareness of the sensitivity of the market.

"Czechs have been very good at realising the importance of the market for the success of their company," he said.

In addition he said Czechs have become more cost conscious in companies than they were three years ago.

"The drive for profit is much more prominent than it was three years ago. Czechs have been creative in developing ideas in how to cope with these changes, developing new products and new services," he said.

Mr Spyckerelle is one of nine partners for KPMG in the Czech Republic. He has been living in Prague since 1991 having come to the Czech Republic from a post in Brussels.

Czech oil refinery sale may fail

Bloomberg Business News by Rob Urban in Prague

IF AN AGREEMENT is not signed this month for a group of foreign oil companies to buy the Czech Republic's oil refineries, the government will turn to other interested buyers, the minister for industry and trade said.

The threat comes as both sides say they are close to an agreement on the sale.

The government and the oil companies, Total, Agip, Conoco and Royal Dutch Shell Group, have held more than two years of on-again, off-again negotiations for the sale of a 49 per cent stake in the two state-owned refineries.

Last September, the government agreed to hold exclusive negotiations with the group until January 31st. That was after a period of several months when the negotiations broke down completely and the government considered various proposals to modernise the refineries without foreign investment.

That deadline has passed, but the industry minister, Vladimir Dlouhy, said that it wasn't intended to be a firm deadline and that he expects a "framework agreement" with the group to be signed by mid-February.

"The notion of exclusivity in connection with the 31st of January has not been considered as a deadline," Mr Dlouhy said. "Of course, during the month of February, the framework agreement must be decided."

Mr Dlouhy also said there are other interested bidders for the refineries, but he declined to name them. Until the end of February, he said, exclusive negotiations would continue with the group, known locally as the International Oil Consortium, or IOC.

"There was more than one such bid, but it would be very inappropriate for me to talk about them," Mr Dlouhy said. "If the negotiations with the IOC do not end according to the requirements ensuing from the government decree, then it will of course be our obligation to return to all the existing bids."

A spokesman for Shell said that negotiations are continuing nearly every day, but the group has been given no other information.

Last year, the IOC group offered $180 million and an estimated $500 million in investment over the next five years, an offer the government refused. The refineries need about $900 million worth of modernisation.

Several developments, Mr Dlouhy said, make the refineries a more attractive investment now. One is the expected completion next year of a new oil pipeline from Germany.

Currently, the Czech Republic is dependent solely on Russia for its oil, which arrives at Czech refineries via a pipeline that first travels through Ukraine and Slovakia.

Periodically, there have been interruptions of the supply, and concerns about political stability in Russia were among the Czech government's considerations when it made the "strategic decision" to build the Germany pipeline.

Its completion, Mr Dlouhy said, will give Czech refineries and oil import companies greater leverage to negotiate prices.

Also, he said, it will open the possibility of the Czech Republic becoming a "transit country," collecting fees for the transit of oil, either Russian oil to the west or western oil to the east.

CONTRACTS

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business and then would apply for the necessary license.

"With this I don't see a conflict," Mr Prokop explained during a meeting at the Czech Telecommunication Office in Prague last week.

However, his competitors disagree.

"If we had money, we would go to court," said Sat Net official Otto Krcka, but added that his company is too busy selling VSAT systems to other clients to bother.

"We feel cheated," added Mr Krcka saying the price of the five-year contract was so low that that he and other Sat Net officials were astonished.

His colleague Sat Net commercial director Jan Mikulas said there are several possibilities why NIT-Praha was able to offer such a low rate.

"Maybe they have cheaper supplier of technology. Maybe (they have) cheaper fees for transponder," Mr Mikulas said and added, "this case is a little bit strange. It is a crossword puzzle for us."

Although there was no public tender, Sat Net, Eurotel, ACS Brandys nad Labem and several other firms according to a Finance Ministry official Jiri Roudny were contacted by fax to bid on the 152 VSAT station contract.

Sat Net officials say they received a two-page fax asking them to submit a bid in the summer of 1994.

ACS Brandys nad Labem chief Karel France said he also received a two-page fax asking him to bid on the VSAT station contract last year.

Mr France said it was in December that he found out NIT-Praha was awarded the contract and he was very upset.

"For this, to offer somebody services without a license is illegal," Mr France said. "They can only sell software in the Czech Republic," he added.

The ACS Brandys chief also said it was in mid-December that he received an anonymous telephone call offering him a copy of the NIT-Praha contract for 250,000 crowns, or $8,900. Mr France said he turned down the offer.

Mr France, who has been writing complaint letters not only to the Norwegian Embassy in Prague but also the Czech Ministriés of Interior and Finance, said he is also considering that NIT-Praha does not have a hub station in the Czech Republic.

He said he is willing to go to court to expose the "crime" committed by the ministry in awarding the contract saying that NIT-Praha was not only doing business without a VSAT license but was also engaged in unfair competition-offering something for free.

Mr France, who had the first hub station in the Czech Republic which began operating in 1994, is also concerned that sensitive government and confidential business information will be monitored by Norwegians.

"They violated the law which is talking about keeping state secrets," Mr France said.

"Why would they (ministry officials) sign a contract with somebody that doesn't have a hub here and that doesn't have a license?" asked Mr France.

NIT-Praha officials said they will build a mini-hub on top of a building controlled by the ministry of finance in Prague 4 which should be in operation by summer.

In the meantime, according to Mr Prokop, they will be using a hub station in Norway and that is only for several months, he emphasised.

But NIT-Praha's arguments do nothing to calm the fears of competitors.

Stendhal company president Pavel Kmet in Brno, said his firm knew nothing about the ministry of finance contract, but would be interested in such business.

Mopos company official Charles Jirasek in Pardubice said his firm would be interested, but they were never contacted by the ministry of finance to bid. "It's very interesting," he said and added, "It's a lot of satellite stations."

STOCKS LATEST

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Mr Walesa won't comment on Mr Oleksy's appointment until a new cabinet is formed, a spokesman said.

"We will have to wait for a few days until the reaction is visible on our market," said Piotr Marczewski, an analyst at Amerbank in Warsaw. "The first sessions of this week showed that many investors expect something positive from the new government. So the change of the prime minister is expected to bring more positive things than negative."

However, he added, "it's very hard to predict what will happen. I think Polish investors are used to quick changes in Polish politics, so it may have effect only on foreign investors who want more stability in Polish policy."

More domestic investors appear to be entering the market, he said. Today's session was significant in its relatively high trading levels, about three times higher than sessions last week.

While domestic investors are reentering the market, the return of foreign investors may be yet to happen, analysts said.

Foreign investors may be less concerned about the political conflict than about Poland's latest economic figures, particularly high inflation and falling production in January, Mr Kwiatkowski said.

"The signs from the economy are not too optimistic," he said.

MessPierson starts fund in eastern Europe

Bloomberg Business News

DUTCH INVESTMENT BANK MessPierson NV said it will set up a co-investment fund to invest in non-listed operation in central and eastern Europe.

The fund, to be known as Eurobalance will be set up in cooperation with consultants Larive Holland BV and venture capital company Parcom BV.

Eurobalance will manage between 25 million guilders, or $14,68 million, and 50 million guilders, coming from professional investors. The fund will also co-invest with western companies in order to develop strategic collaborations in central and eastern Europe.

MeePierson said the region, with a combined population of about 100 million, offered both interesting production facilities and a growing consumer market.

Because of the complexity of doing business in that region, the three companies involved decided to pool their expertise in this fund. All three say they have experience of local markets, legal and financial knowledge, and extensive experience in the field of fund management.

Larive is a consulting firm specialised in international business development, with more experience in eastern Europe, MessPierson said.

Parcom, an internationally operating venture capital concern, is part of the Internationale Nederlanden Groep.

MessPierson is an internationally operating investment bank owned fully by ABN Amro Holdings NV.

The New Source
Resources 300

The Resources 300

The Tracking Guide to the 300 Largest Czech and Slovak Companies

The Resources 300 ranks the largest Czech and Slovak companies by turnover, profit and number of employees. Contact information is updated every four months and new rankings come out every June.

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